BLUE CROSS OF IDAHO HEALTH SERVICE, INC.

PRELIMINARY RATE INCREASE JUSTIFICATION FOR 2021

SMALL GROUP HEALTH BENEFIT PLANS

Rate Change

The average expected rate increase is 6.0%. The number of members to be impacted by this is 28,149. Some plan option rates changed due to benefit changes and tailored network changes.

Most Significant Factors

The rate change described above is driven by the following factors:

- Claims Expense: 5.8%
    - Inpatient Hospital: -0.2%
    - Outpatient Hospital: 2.9%
    - Professional: 1.5%
    - Other Medical: 0.8%
    - Capitation: -0.3%
    - Prescription Drug: 6.6%
    - Risk Adjustment: -5.5%
- Administrative Expense: 2.5%
- Profit & Risk load: 0.0%
- Taxes and Fees: -2.3%

Financial Experience

In 2019, Blue Cross of Idaho gained $0.4M on their Small Group QHP Health Benefit plans based on year-end financial statements. This does not include any transitional coverage, which is included in the experience period single risk pool. Below is a summary of the key financial metrics:

- Revenue/Premium: $127.8M
- Claims: $108.8M
- Administrative Expenses: $11.2M
- Taxes and Fees: $2.0M
- Commissions: $5.4M
- Underwriting Gain: $0.4M

These numbers include adjustments for the final results of risk adjustment that was announced in 2019.

Key Assumptions

The annual cost trends used in developing the 2021 rates:

- Medical: 6.7%
- Drug: 11.1%
- Other: 3.0%

These trends include anticipated changes in the rates contracted with providers, and increases in the number and mix of services provided.

The 2021 rates are made up of the following components:

- Claims: 84.5%
- Administrative costs: 9.6%
- Federal taxes and fees: 0.1%
- State taxes and fees: 1.5%
- Commissions: 4.0%
- Contribution to surplus, profit, and risk margin: 0.3%